

SANILAC INTERMEDIATE SCHOOL DISTRICT
Peck, Michigan

Report on Financial Statements
June 30, 2008

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September 12, 2008

Independent Auditor's Report

To the Board of Education
Sanilac Intermediate School District
Peck, MI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Sanilac Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Sanilac Intermediate School District as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008 on our consideration of Sanilac Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 23 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
September 12, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Sanilac Intermediate School District's basic financial statements. The additional information on pages 26 to 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Sanilac Intermediate School District, located in Sanilac County, Michigan, is in its sixth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Sanilac Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements (Continued):

These two statements report the Sanilac Intermediate School District net assets -- the difference between assets and liabilities, as reported in the statement of net assets -- as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets -- as reported in the statement of activities -- are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction services and support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

The School District as Trustee -- Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

NET ASSETS SUMMARY

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets	\$3,082,125	\$2,592,488
Non-Current Assets	<u>4,514,435</u>	<u>4,650,908</u>
TOTAL ASSETS	<u><u>\$7,596,560</u></u>	<u><u>\$7,243,396</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,340,457	\$1,142,992
Long-Term Liabilities	<u>1,541,672</u>	<u>1,878,285</u>
Total Liabilities	<u>\$2,882,129</u>	<u>\$3,021,277</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	2,630,806	2,548,205
Restricted for Debt Service	358,682	327,050
Restricted for Capital Projects	0	241
Unrestricted	<u>1,724,943</u>	<u>1,346,623</u>
Total Net Assets	<u><u>\$4,714,431</u></u>	<u><u>\$4,222,119</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$7,596,560</u></u>	<u><u>\$7,243,396</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
General Revenues:		
Property Taxes Levied for General Operations	\$288,290	\$274,673
Property Taxes Levied for Special Education Operations	1,035,649	989,126
Property Taxes Levied for Vocational Education Operations	2,302,579	2,199,241
Property Taxes Levied for Debt Service	184,422	189,568
State of Michigan Foundation Aid	1,988,895	1,862,036
Other General Revenues	557,737	790,683
Total General Revenues	<u>\$6,357,572</u>	<u>\$6,305,327</u>
Operating Grants:		
Federal	2,602,651	2,704,452
State of Michigan	-	-
Other Grants		
Total Operating Grants	<u>\$2,602,651</u>	<u>\$2,704,452</u>
Charges for Services:		
General Fund		-
Special Education Fund	358,966	383,101
Vocational Education Fund	321,928	159,693
Total Charges for Services	<u>\$680,894</u>	<u>\$542,794</u>
Total Revenues	<u>\$9,641,117</u>	<u>\$9,552,573</u>
EXPENSES		
Instruction & Instructional Support	3,651,052	3,232,522
Support Services	3,874,114	4,006,644
Community Services	193,815	213,649
Transfers to other governmental units	1,174,693	1,111,814
Interest on Long-Term Debt	50,631	59,323
Depreciation	204,500	197,044
Total Expenses	<u>\$9,148,805</u>	<u>\$8,820,996</u>
INCREASE IN NET ASSETS	\$492,312	\$731,577
BEGINNING NET ASSETS	4,222,119	3,490,542
ENDING NET ASSETS	<u>\$4,714,431</u>	<u>\$4,222,119</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets increased by \$492,312 to a total of \$4,714,431. The largest portion of the net assets are the District's fund balances. Net assets (invested in capital assets, net of related debt) increased by \$82,601 during the year due to purchases of new capital assets and principal payments on related debt. The District's Unrestricted Net Assets increased by \$378,320 during the year and the restricted portion of the net assets increased by \$31,391. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$492,312. The total revenues increased by \$88,544. The major changes were in interest from investments, property taxes, hold harmless, tuition and testing, and technology support. Total expenditures increased by \$327,809 due to a lawsuit settlement, IRS assessment, technology support, reserve for Technology infrastructure and additional programming.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$37,921 during the year with the decrease coming primarily from technology reserve-infrastructure and building and site reserves. Revenues and other financing sources for the year decreased by \$53,589 from deferring Great Parents, Great Start monies into July through September quarter of 2008. Expenditures and other financing uses increased by \$144,425, due to savings across the board, monies held in reserve for building and site and technology infrastructure. The major source of general fund revenues is state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$650,206 (\$338,783 posted to general fund, \$154,771 to special education and \$156,652 to vocational education) for the fiscal year an increase of \$6,438 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .2026 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2007-08 fiscal year was \$288,290. An increase of \$13,614 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$155,646 during the year with the increase coming primarily from a increase in cash. Revenues and other financing sources for the year increased by \$1,855, primarily from property taxes, tuition, and I.D.E.A. funding. Expenditures and other financing uses increased by \$120,074, primarily reduction in instructional classroom expenditures, civic activities, reassignment of staff (federal project to local sources) and expensing indirect cost to federal grants. The major source of special education revenues is federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$871,432 for the fiscal year an increase of \$123,453 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .7298 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2007-08 fiscal year was \$1,035,649. An increase of \$46,523 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund increased by \$258,473 during the year with the increase coming primarily from an increase in program sales, reduction in program expenditures and operation and maintenance costs and testing reimbursements. Revenues and other financing sources for the year increased by \$149,643 primarily due to investments, testing reimbursements, and program sales. Expenditures and other financing uses increased by \$31,766 primarily due to reduction in program expenditures, and operation and maintenance costs. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$308,705 for the fiscal year a increase of \$23,883 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.6227mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-08 fiscal year was \$2,302,579, an increase of \$103,339 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$1,005,801	\$1,071,742	\$1,052,744	(6.56)	(1.77)
Expenditures	996,997	1,143,837	1,090,665	(14.73)	(4.65)
TOTAL	\$8,804	(\$72,095)	(\$37,921)		

SPECIAL EDUCATION FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$4,310,024	\$4,407,690	\$4,446,710	(2.27)	0.89
Expenditures	4,273,543	4,320,102	4,289,064	(0.97)	0.72
TOTAL	\$31,476	\$87,588	\$157,646		

VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$3,920,998	\$3,928,799	\$3,972,941	(0.20)	1.12
Expenditures	3,707,805	3,748,107	3,714,468	(1.09)	0.90
TOTAL	\$213,193	\$180,692	\$258,473		

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Sanilac Intermediate School District amends its budget during the school year. The June, 2008 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:

Original Budget vs. Final Budget

General Fund

Revenues: The District received an increase in Literacy funding, additional H/S Mass funding, and 80% technology reimbursement from a local district.

Expenditures: The District was awarded HS/Mass funding for a second year, Great Parents, Great Start carry over funding was carried into the first three months of the fiscal year along with new year's monies and Literacy received additional funding. The district had been involved in a lawsuit and the settlement was reached during the 2007-08 school year. The District employed one more staff member in technology and shared this individual with a local district. The District continues to budget for district-wide capital outlay and reserves for technology infrastructure.

Special Education Fund

Revenues: Funding for the Medicaid-School Based Services and AOP Administrative Outreach increased based upon actual receipts. I.D.E.A and Section 51a increased based on student numbers and the District fell into a hold harmless situation.

Expenditures: Added additional Special Education programs, increased professional development opportunities, employed bus aides and purchased surveillance cameras. The District transferred Medicaid monies to local districts. The District did not borrow money in Special Education for the 2007-08 school year.

Vocational Education Fund

Revenues: Peak consortium reimbursement decreased due to student enrollment and increased administrative cost and ability to only expense one-half of salary and benefits of Peak program to local district (fiscal agent). Interest on investments increased. Section 61A.1 Added cost monies increased.

Expenditures: Resale program costs increased. Community Education costs increased due to night supervision position and increased program offerings. Decreased expenditures in instructional programs and interest on tax anticipative borrowing less than originally budgeted. Operation and maintenance expenditures decreased in building and site and furnace replacement/repair.

Actual Results vs. Final Budget

General Fund

Revenues: Taxes other than property and miscellaneous receipts were greater than anticipated based upon actual receipts. Great Parent, Great Start receipts were deferred for July through September, 2008 spending, as carry over. I.E.A Technology reimbursement was greater due to additional days worked.

Expenditures: IRS Tax Assessment was expensed at the total cost. No adjustments were made based on potential abatements. A substantial savings occurred in operation and maintenance building and site and technology infrastructure. These monies will be held in reserve for future projects. Service contracts in technology were under budget based upon actual expenditures.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budget (Continued)

Special Education Fund

Revenues: Significant variances in actual results versus final budget were due to actual Medicaid receipts and actual IDEA expenditures versus budgeted.

Expenditures: Variances occurred primarily in reduced instructional classroom expenditures, support services-reassignment of Visually Impaired TC and Coordinator expenditures to local monies and expensing indirect cost to federal projects.

Vocational Education Fund

Revenues: Significant variances in actual results versus budget were due to resale programs, adult education & PEAK, and miscellaneous revenue.

Expenditures: Variances occurred primarily in increases in instructional salaries due to July 2008 contract settlement and ratification. Cosmetology Tuition was billed through Tuscola ISD and Howard's Beauty necessitating a reimbursement from local districts. In resale three construction trades house were expensed due to one house not being sold the previous year. Operation and maintenance costs were under budget, the monies will be held in reserve for future projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 6-30-07	Adjustments	Deductions	Principal Balance 6-30-08
Bonds Payable	\$2,033,363	\$0	\$205,000	\$1,828,363
Contracts Payable	27,820	0	19,455	8,365
Unpaid Sick & Vacation Payable	41,520	744	0	42,264
Total Long-Term Obligations	<u>\$2,102,703</u>	<u>\$744</u>	<u>\$224,455</u>	<u>\$1,878,992</u>

The District issued bonds on March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.65% to 4.25% per annum. The balance of the bonds at June 30, 2008, was \$355,000.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$136,473 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>7-1-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-08</u>
Capital Assets	\$8,450,481	\$68,027	\$0	\$8,518,508
Less: Accumulated Depreciation	(3,799,573)	(204,500)	0	(4,004,073)
<u>Net Investment Capital Outlay</u>	<u>\$4,650,908</u>	<u>(\$136,473)</u>	<u>\$0</u>	<u>\$4,514,435</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Sanilac Intermediate School District.

BASIC FINANCIAL STATEMENTS

SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,862,505
Investments	315,277
Accounts receivable	53,127
Inventory	42,278
Due from other governmental units	807,841
Prepaid expenses	1,097
TOTAL CURRENT ASSETS	3,082,125
NONCURRENT ASSETS:	
Capital assets	8,518,508
Less accumulated depreciation	(4,004,073)
TOTAL NONCURRENT ASSETS	4,514,435
TOTAL ASSETS	\$ 7,596,560
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 243,997
Salaries payable	488,949
Accrued expenses	198,264
Deferred revenue	71,927
Current portion of long term debt	337,320
TOTAL CURRENT LIABILITIES	1,340,457
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	42,264
Noncurrent portion of long term debt	1,499,408
TOTAL LIABILITIES	2,882,129
NET ASSETS:	
Invested in capital assets, net of related debt	2,630,806
Restricted for debt service	358,682
Restricted for capital projects	-
Unrestricted	1,724,943
TOTAL NET ASSETS	4,714,431
TOTAL LIABILITIES AND NET ASSETS	\$ 7,596,560

The accompanying notes are an integral part of the financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,651,052		\$ 780,795	\$ (2,870,257)
Support services	3,874,114	\$ 680,894	1,821,856	(1,371,364)
Community services	193,815			(193,815)
Transfers to other governmental units	1,174,693			(1,174,693)
Interest on long-term debt	50,631		-	(50,631)
Unallocated depreciation	204,500			(204,500)
Total governmental activities	<u>\$ 9,148,805</u>	<u>\$ 680,894</u>	<u>\$ 2,602,651</u>	<u>(5,865,260)</u>
General revenues:				
Property taxes, levied for general purposes				3,810,940
State sources				1,988,895
Investment revenue				59,560
Transfers from other governmental units				258,368
Miscellaneous				239,809
Total general revenue				<u>6,357,572</u>
Change in net assets				492,312
Net assets, beginning of year				<u>4,222,119</u>
Net assets, end of year				<u>\$ 4,714,431</u>

The accompanying notes are an integral part of the financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

		<u>SPECIAL REVENUE</u>	
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>VOCATIONAL EDUCATION</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 300,353	\$ 692,498	\$ 824,027
Investments	372	980	870
Accounts receivable	1,569	359	51,199
Interest receivable			
Inventory			42,278
Due from other governmental units	123,973	563,472	120,396
Due from other funds	-	-	-
Prepaid expenses	1,097	-	-
TOTAL ASSETS	<u>\$ 427,364</u>	<u>\$ 1,257,309</u>	<u>\$ 1,038,770</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 43,881	\$ 159,481	\$ 40,635
Due to other funds	-	-	-
Salaries payable	33,437	253,830	201,682
Accrued payroll liabilities	7,821	88,222	55,320
Deferred revenue	71,593	-	334
TOTAL LIABILITIES	<u>156,732</u>	<u>501,533</u>	<u>297,971</u>
FUND BALANCE:			
Unreserved:			
Designated for capital outlay			
Designated for debt retirement			
Designated for compensated absences	5,768	15,364	21,132
Undesignated	264,864	740,412	719,667
TOTAL FUND BALANCE	<u>270,632</u>	<u>755,776</u>	<u>740,799</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 427,364</u>	<u>\$ 1,257,309</u>	<u>\$ 1,038,770</u>

The accompanying notes are an integral part of the financial statements.

<u>QZAB DEBT RETIREMENT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 1 313,055	\$ 45,626 - - - - -	\$ 1,862,505 315,277 53,127 - 42,278 807,841 - 1,097
<u>\$ 313,056</u>	<u>\$ 45,626</u>	<u>\$ 3,082,125</u>
	-	\$ 243,997
	-	-
		488,949
		151,363
		71,927
		<u>956,236</u>
\$ 313,056	\$ - 45,626	\$ - 358,682
		42,264
		<u>1,724,943</u>
<u>313,056</u>	<u>45,626</u>	<u>2,125,889</u>
<u>\$ 313,056</u>	<u>\$ 45,626</u>	<u>\$ 3,082,125</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 2,125,889
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of capital assets	8,518,508
Accumulated depreciation	(4,004,073)
Accrued interest on long-term debt	(46,901)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable:	(1,828,363)
Contracts payable	(8,365)
Sick and vacation pay	<u>(42,264)</u>
Net Assets of Governmental Activities	<u>\$ 4,714,431</u>

The accompanying notes are an integral part of the financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

		<u>SPECIAL REVENUE</u>	
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>VOCATIONAL EDUCATION</u>
REVENUES:			
Local sources	\$ 464,906	\$ 1,429,986	\$ 2,693,280
State sources	487,615	1,031,070	469,850
Federal sources	26,000	1,918,312	658,339
TOTAL REVENUES	<u>978,521</u>	<u>4,379,368</u>	<u>3,821,469</u>
EXPENDITURES:			
Instruction	212,133	1,416,772	2,021,403
Student services		762,752	110,778
Instructional support	132,833	674,533	27,964
General administration	245,090	49,024	43,028
School administration		183,396	351,431
Business administration	195,401	25,997	44,239
Operation and maintenance	39,871	54,715	416,970
Transportation		331,787	
Other support services	177,024	20,667	69,796
Community services		2,317	191,498
Capital outlay			
Debt service			
TOTAL EXPENDITURES	<u>1,002,352</u>	<u>3,521,960</u>	<u>3,277,107</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(23,831)	857,408	544,362
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	2,000	20,553
Operating transfers out	(22,312)	(25,383)	(66,090)
Transfers from other governmental units	73,338	54,111	130,919
Transfers to other governmental units	(66,001)	(741,721)	(366,971)
Loan payments	-	-	(4,300)
Insurance reimbursements	885	11,231	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,090)</u>	<u>(699,762)</u>	<u>(285,889)</u>
Net Change in Fund Balance	(37,921)	157,646	258,473
FUND BALANCE - BEGINNING OF YEAR	<u>308,553</u>	<u>598,130</u>	<u>482,326</u>
FUND BALANCE - END OF YEAR	<u>\$ 270,632</u>	<u>\$ 755,776</u>	<u>\$ 740,799</u>

The accompanying notes are an integral part of the financial statements.

QZAB DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,237	\$ 188,678 360	\$ 4,779,087 1,988,895 2,602,651
2,237	189,038	9,370,633
		3,650,308 873,530 835,330 337,142 534,827 265,637 511,558 331,787 267,487 193,815
	251,116	251,116
	251,116	8,052,535
2,237	(62,078)	1,318,098
51,803	39,670 (241)	114,026 (114,026) 258,368 (1,174,693) (4,300) 12,116
51,803	39,429	(908,509)
54,040	(22,649)	409,589
259,016	68,275	1,716,300
\$ 313,056	\$ 45,626	\$ 2,125,889

SANILAC INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

Total net change in fund balances--governmental funds	\$ 409,589
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:	
Depreciation expense	(204,500)
Capital outlay	68,027
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	42,386
Accrued interest payable at the end of the year	(46,901)
Loan proceeds	-
Payments on Debt	224,455
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	41,520
Accrued absences at the end of the year	(42,264)
Change in net assets of governmental activities	<u>\$ 492,312</u>

The accompanying notes are an integral part of the financial statements.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>TRUST & AGENCY</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u><u>\$ 58,015</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to Student Groups	<u><u>\$ 58,015</u></u>

The accompanying notes are an integral part of the financial statements.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Sanilac Intermediate School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's major special revenue funds consist of the Special Education and Vocational Education funds.

The *OZAB Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

The *Debt Service Funds* account for the servicing of general long-term debt.

The *Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects. The Capital Project Fund includes capital project activities funded by the sale of bonds.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 to August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.2026
Special Revenue Funds:	
Special Education Fund	0.7298
Vocational Education Fund	1.6227
Debt Retirement Fund	0.1300

3. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Receivables and Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District's policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences.

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30 are accrued, if material.

10. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital project funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Expenditures in the various major funds exceeded the budget on several line items as detailed on pages 23-25. These constitute PA 621 violations

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$ 313,055	4.45	A1+	99.32
MILAF External Investment pool – MICMS	2,222	.0027	AAAm	.68
Total fair value	<u>\$ 315,277</u>			100.00%
Portfolio weighted average maturity		<u>4.42</u>		

1 day maturity equals 0.0027, one year equals 1.00

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,809,442 of the District's bank balance of \$1,919,004 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 3 - DEPOSITS AND INVESTMENTS, (Continued):

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the QZAB Bonds as disclosed in Note 7.

The Investment Agreement, dated as of September 10, 2002, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 58,015
Cash - District wide	1,862,505
Investments - District wide	<u>315,277</u>
	<u>\$ 2,235,797</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
Assets not being depreciated – land	\$ 62,155			\$ 62,155
Other capital assets:				
Building and Improvements	6,899,866	\$ 9,351		6,909,217
Land Improvements	17,246			17,246
Equipment and Furniture	1,154,591	58,676		1,213,267
Vehicles	<u>316,623</u>	<u>-</u>	<u>-</u>	<u>316,623</u>
Subtotal - Other	8,388,326	68,027	-	8,456,353
Accumulated depreciation:				
Building and Improvements	(2,491,318)	(156,392)		(2,647,710)
Land Improvements	(9,296)	(863)		(10,159)
Equipment and Furniture	(1,021,532)	(27,647)		(1,049,179)
Vehicles	<u>(277,427)</u>	<u>(19,598)</u>	<u>-</u>	<u>(297,025)</u>
Total accumulated depreciation	<u>(3,799,573)</u>	<u>(204,500)</u>	<u>-</u>	<u>(4,004,073)</u>
Net Other capital assets:	<u>4,588,753</u>	<u>(136,473)</u>	<u>-</u>	<u>4,452,280</u>
Net capital assets	<u>\$4,650,908</u>	<u>\$ (136,473)</u>	<u>\$ -</u>	<u>\$4,514,435</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$204,500.

NOTE 5 – SELF INSURANCE POOL

The District participates in a public entity risk pool (self insurance pool) for its workers' compensation, property and casualty, and vehicle insurance. The pool is through the MASB/SET/SEG and is administered by Cannon Cochran Management Services, Inc. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years.

NOTE 6- RISK MANAGEMENT:

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In the past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 7- LONG-TERM DEBT:

Durant Resolution Package Bonds

Sanilac Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$347,037 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment. The legislature refinanced the repayment schedule during the year ended June 30, 2003 and again during the year ended June 30, 2007.

\$ 204,913

2001 General Obligation School Building and Site Bonds

The bonds were issued February 20, 2001 in the amount of \$1,655,000, for the purpose of erecting, furnishing and equipping a special education classroom addition to be located at Maple Valley Elementary School in Sandusky. The bonds mature serially through May 1, 2011, at varying principal amounts. Interest rates on the bonds are 4.0% per annum.

595,000

2001 School Building and Site Bonds (General Obligation - Limited Tax) Qualified Zone Academy Bonds

Sanilac Intermediate School District issued 2001 Qualified Zone Academy Bonds dated July 12, 2001, in the amount of \$673,450. The bonds are interest free and are repayable July 12, 2014. The District is required to set aside \$51,803 each year, the sum of which will be sufficient to repay the aggregate principal amount of the Bonds.

673,450

2005 School Building and Site Bonds (General Obligation - Limited Tax)

The bonds were issued March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.90% to 4.25% per annum.

355,000

Total Bonds Payable

\$ 1,828,363

Contracts Payable

Contracts payable consisted of the following at June 30, 2008:

3.5% note to Tri-County Bank, \$388 payments monthly, including interest, collateralized by Dodge pickup, matures July 1, 2010.

\$ 8,365

TOTAL

\$ 8,365

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7- LONG-TERM DEBT (Continued):

Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	<u>Bonds Payable</u>	<u>Contracts Payable</u>	<u>Interest</u>	<u>Total</u>
June 30, 2009	\$ 333,020	\$ 4,300	\$ 83,202	\$ 420,522
June 30, 2010	245,232	4,065	33,232	282,472
June 30, 2011	256,196	-	23,432	279,628
June 30, 2012	52,204	-	13,173	65,377
June 30, 2013-2017	861,711	-	38,522	900,233
June 30, 2018-2022	80,000	-	5,080	85,080
TOTAL	\$ 1,828,363	\$ 8,365	\$ 196,641	\$ 2,033,369

The payment dates for sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$50,631.

Changes In General Long-Term Debt

	<u>Balance July 1, 2007</u>	<u>Adjustments</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Governmental Activities:				
General Obligation & Durant Bonds	\$ 2,033,363	-	\$ 205,000	\$ 1,828,363
Contracts Payable	27,820	-	19,455	8,365
Unpaid Sick & Vacation Payable	41,520	\$ 744	-	42,264
Total Governmental Activities	\$ 2,102,703	\$ 744	\$ 224,455	\$ 1,878,992

NOTE 8 – OPERATING LEASES

The District entered into a lease with the Sandusky Community Schools for the purpose of leasing a building at the Sandusky Middle School. The lease dated June 16, 1993 began on July 1, 1993 with occupancy occurring on or about August 23, 1993 and extends for fifteen years. Lease payments totaling \$140,000 were paid at the inception of the lease. The purpose of the lease is to allow the District to provide special education services and other related services. The Sandusky Community Schools is responsible for all utilities and property and casualty insurance. Sanilac Intermediate School District is responsible for custodial services.

Sanilac Intermediate School District has entered into the following operating lease summarized below:

	<u>Monthly Payment</u>	<u>Maturity Date</u>
Chrysler Financial – Van	\$ 369	May, 2010
Future anticipated lease payments:	2008-09 \$ 4,425	
	2009-10 3,687	
Total	\$ 8,112	

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus and additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the district are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were approximately \$645,635, \$645,096, and \$635,014, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 – TRANSFERS

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	-	\$ 22,312
Special Education Fund	\$ 2,000	25,383
Career Technology Preparation	20,553	66,090
Capital Projects	-	241
Debt Retirement	<u>91,473</u>	<u>-</u>
Total	<u>\$ 114,026</u>	<u>\$ 114,026</u>

The transfer from the General Fund to the Vocational Education Fund is for the reimbursement of office space. The transfers from the Special Education and Vocational Education Funds to the Debt Retirement Fund are for QZAB loan requirements.

REQUIRED SUPPLEMENTARY INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Local sources	\$ 312,538	\$ 460,719	\$ 464,906	\$ 4,187
State sources	504,740	496,460	487,615	(8,845)
Federal sources	22,285	54,588	26,000	(28,588)
TOTAL REVENUE	<u>839,563</u>	<u>1,011,767</u>	<u>978,521</u>	<u>(33,246)</u>
EXPENDITURES:				
Instruction	189,363	211,993	212,133	(140)
Supporting services:				
Instructional staff	187,647	134,502	132,833	1,669
General administration	305,957	237,394	245,090	(7,696)
Business administration	135,950	187,124	195,401	(8,277)
Operation and maintenance	83,200	61,230	39,871	21,359
Other support services	73,380	182,959	177,024	5,935
Community services	3,000			-
TOTAL EXPENDITURES	<u>978,497</u>	<u>1,015,202</u>	<u>1,002,352</u>	<u>12,850</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(138,934)</u>	<u>(3,435)</u>	<u>(23,831)</u>	<u>(20,396)</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds		(22,500)	(22,312)	188
Transfers to other governmental units	(18,500)	(106,135)	(66,001)	40,134
Transfers from other governmental units	165,038	59,090	73,338	14,248
Insurance reimbursements	1,200	885	885	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>147,738</u>	<u>(68,660)</u>	<u>(14,090)</u>	<u>54,570</u>
Net Change in Fund Balance	<u>8,804</u>	<u>(72,095)</u>	<u>(37,921)</u>	<u>34,174</u>
FUND BALANCE - JULY 1	<u>308,553</u>	<u>308,553</u>	<u>308,553</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 317,357</u>	<u>\$ 236,458</u>	<u>\$ 270,632</u>	<u>\$ 34,174</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Local sources	\$ 1,375,887	\$ 1,402,382	\$ 1,429,986	\$ 27,604
State sources	902,184	1,032,089	1,031,070	(1,019)
Federal sources	1,975,828	1,901,914	1,918,312	16,398
TOTAL REVENUE	<u>4,253,899</u>	<u>4,336,385</u>	<u>4,379,368</u>	<u>42,983</u>
EXPENDITURES:				
Instruction	1,367,924	1,424,005	1,416,772	7,233
Supporting services				
Student services	748,292	771,738	762,752	8,986
Instructional support	300,467	676,999	674,533	2,466
General administration	199,235	52,549	49,024	3,525
School administration	40,671	183,303	183,396	(93)
Business administration	23,408	26,408	25,997	411
Operation & maintenance	119,693	64,949	54,715	10,234
Transportation	367,519	330,488	331,787	(1,299)
Other support services	370,281	20,549	20,667	(118)
Community services	4,200	8,250	2,317	5,933
TOTAL EXPENDITURES	<u>3,541,690</u>	<u>3,559,238</u>	<u>3,521,960</u>	<u>37,278</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>712,209</u>	<u>777,147</u>	<u>857,408</u>	<u>80,261</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds		2,000	2,000	-
Transfers to other funds		(25,383)	(25,383)	-
Transfers to other governmental units	(736,858)	(735,481)	(741,721)	(6,240)
Transfers from other governmental units	55,125	58,073	54,111	(3,962)
Loan Payments		-	-	-
Insurance reimbursements	1,000	11,232	11,231	(1)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(680,733)</u>	<u>(689,559)</u>	<u>(699,762)</u>	<u>(10,203)</u>
Net Change in Fund Balance	31,476	87,588	157,646	70,058
FUND BALANCE - JULY 1	<u>598,130</u>	<u>598,130</u>	<u>598,130</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 629,606</u>	<u>\$ 685,718</u>	<u>\$ 755,776</u>	<u>\$ 70,058</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 2,780,779	\$ 2,639,202	\$ 2,693,280	\$ 54,078
State sources	439,305	467,462	469,850	2,388
Federal sources	417,759	655,509	658,339	2,830
TOTAL REVENUE	3,637,843	3,762,173	3,821,469	59,296
EXPENDITURES:				
Instruction	1,886,727	2,012,781	2,021,403	(8,622)
Supporting services				-
Student services	150	111,533	110,778	755
Instructional support	87,669	25,515	27,964	(2,449)
General administration	51,866	43,055	43,028	27
School administration	454,260	352,640	351,431	1,209
Business administration	48,030	43,662	44,239	(577)
Operation & maintenance	464,845	438,342	416,970	21,372
Other support services	417,759	69,630	69,796	(166)
Community services		193,041	191,498	1,543
TOTAL EXPENDITURES	3,411,306	3,290,199	3,277,107	13,092
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	226,537	471,974	544,362	72,388
OTHER FINANCING SOURCES (USES):				
Transfers to other funds		(66,090)	(66,090)	-
Transfers from other funds		20,312	20,553	241
Transfers to other governmental units	(292,196)	(387,519)	(366,971)	20,548
Transfers from other governmental units	281,155	144,315	130,919	(13,396)
Payments on loans	(4,303)	(4,300)	(4,300)	-
Donated items	2,000	2,000	-	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	(13,344)	(291,282)	(285,889)	5,393
Net Change in Fund Balance	213,193	180,692	258,473	77,781
FUND BALANCE - JULY 1	482,326	482,326	482,326	-
FUND BALANCE - JUNE 30	\$ 695,519	\$ 663,018	\$ 740,799	\$ 77,781

ADDITIONAL INFORMATION

**SANILAC INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2005 CAPITAL PROJECTS</u>	<u>DEBT RETIREMENT</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 45,626	\$ 45,626
Investments		-	-
Accounts receivable		-	-
Interest receivable		-	-
Due from other governmental units		-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 45,626</u>	<u>\$ 45,626</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Due to other funds		-	-
 FUND BALANCES			
Reserved for debt retirement		\$ 45,626	\$ 45,626
Reserved for capital projects	\$ -		-
	<u>-</u>	<u>45,626</u>	<u>45,626</u>
TOTAL FUND BALANCES	<u>-</u>	<u>45,626</u>	<u>45,626</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 45,626</u>	<u>\$ 45,626</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>2005</u> <u>CAPITAL PROJECTS</u>	<u>DEBT</u> <u>RETIREMENT</u>	<u>TOTAL</u>
REVENUES			
Local Sources			
Property taxes	\$ -	\$ 184,422	\$ 184,422
Taxes other than property	-	449	449
Earnings on investments and deposits	-	3,807	3,807
	<u>-</u>	<u>3,807</u>	<u>3,807</u>
Total Local Sources	-	188,678	188,678
State Sources	-	360	360
	<u>-</u>	<u>360</u>	<u>360</u>
TOTAL REVENUES	-	189,038	189,038
OTHER FINANCING SOURCES			
Insurance reimbursement	-	-	-
Transfers from other funds	-	39,670	39,670
	<u>-</u>	<u>39,670</u>	<u>39,670</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	-	228,708	228,708
EXPENDITURES			
Debt Retirement			
Redemption of bond principal		-	-
Interest on bonded debt		45,445	45,445
Dues and fees		363	363
Taxes abated		308	308
Principal payment		205,000	205,000
Capital Outlay	-	-	-
	<u>-</u>	<u>205,000</u>	<u>205,000</u>
TOTAL EXPENDITURES	-	251,116	251,116
OTHER FINANCING USES			
Transfers to other funds	241	-	241
	<u>241</u>	<u>-</u>	<u>241</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	241	251,116	251,357
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(241)</u>	<u>(22,408)</u>	<u>(22,649)</u>
FUND BALANCE - JULY 1	<u>241</u>	<u>68,034</u>	<u>68,275</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 45,626</u>	<u>\$ 45,626</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 289,238	\$ 288,290	\$ (948)
Non-property taxes	100	800	700
Income on investments and deposits	14,600	14,462	(138)
Other local revenues	<u>156,781</u>	<u>161,354</u>	<u>4,573</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>460,719</u>	<u>464,906</u>	<u>4,187</u>
REVENUE FROM STATE SOURCES:			
State aid- sec 81	338,783	338,783	-
Math and science challenge grant- sec 99.1	66,527	66,559	32
Renaissance zone	844	561	(283)
Durant	34,704	34,704	-
Gifted and talented	-	11,627	11,627
Great parents- great start	55,602	35,381	(20,221)
Other state sources	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES FROM STATE SOURCES	<u>496,460</u>	<u>487,615</u>	<u>(8,845)</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	585	-	(585)
Small Rural Schools	-	-	-
Homeland Security	-	-	-
Adult education	<u>54,003</u>	<u>26,000</u>	<u>(28,003)</u>
TOTAL REVENUES FROM FEDERAL SOURCES	<u>54,588</u>	<u>26,000</u>	<u>(28,588)</u>
TOTAL REVENUES	<u>1,011,767</u>	<u>978,521</u>	<u>(33,246)</u>
OTHER FINANCING SOURCES			
Transfer from other governmental units	59,090	73,338	14,248
Insurance reimbursements	<u>885</u>	<u>885</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>59,975</u>	<u>74,223</u>	<u>(14,248)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,071,742</u>	<u>\$ 1,052,744</u>	<u>\$ (18,998)</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 113,834	\$ 115,729	\$ (1,895)
Salaries- non-professional	20,000	20,000	-
Insurances	33,401	33,028	373
Fica, retirement, and other benefits	29,658	30,123	(465)
Supplies and materials	15,100	13,253	1,847
TOTAL INSTRUCTION	<u>211,993</u>	<u>212,133</u>	<u>(140)</u>
SUPPORTING SERVICES:			
Instructional Support			
Salaries- professional	-	-	-
Salaries- non-professional	32,928	32,928	-
Insurances	14,321	14,850	(529)
Fica, retirement, and other benefits	8,323	8,171	152
Purchased services	67,257	65,797	1,460
Supplies and materials	10,388	9,803	585
Capital outlay	-	-	-
Other	1,285	1,284	1
Total Instructional Support	<u>134,502</u>	<u>132,833</u>	<u>1,668</u>
General Administration			
Salaries- professional	105,000	103,750	1,250
Salaries- non-professional	33,728	33,728	-
Insurances	24,761	24,760	1
Fica, retirement, and other benefits	31,719	39,514	(7,795)
Purchased services	29,727	30,243	(516)
Supplies and materials	4,541	4,578	(37)
Capital outlay	-	-	-
Other	7,918	8,517	(599)
Total General Administration	<u>237,394</u>	<u>245,090</u>	<u>(7,696)</u>
Business Administration			
Salaries- professional	67,845	67,774	71
Insurances	23,381	23,381	-
Fica, retirement, and other benefits	16,597	16,562	35
Supplies and materials	-	(1)	1
Purchased services	1,355	1,175	180
Other	77,946	86,510	(8,564)
Total Business Administration	<u>187,124</u>	<u>195,401</u>	<u>(8,277)</u>
Operation and Maintenance			
Purchased services	57,520	36,161	21,359
Capital outlay	3,710	3,710	-
Total Operation and Maintenance	<u>61,230</u>	<u>39,871</u>	<u>21,359</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Other Support Services			
Salaries- professional	\$ 13,770	\$ 13,769	\$ 1
Salaries- non-professional	25,162	25,162	-
Insurances	17,322	15,908	1,414
Fica, retirement, and other benefits	9,605	9,585	20
Purchased services	89,305	85,548	3,757
Supplies and materials	7,900	7,996	(96)
Capital outlay	8,000	7,161	839
Other	11,895	11,895	-
Total Other Support Services	<u>182,959</u>	<u>177,024</u>	<u>5,935</u>
TOTAL SUPPORT SERVICES	<u>803,209</u>	<u>790,219</u>	<u>12,990</u>
TOTAL EXPENDITURES	<u>1,015,202</u>	<u>1,002,352</u>	<u>12,850</u>
OTHER FINANCING USES			
Transfers to other funds	22,500	22,312	188
Transfers to other governmental units	<u>106,135</u>	<u>66,001</u>	<u>40,134</u>
TOTAL OTHER FINANCING USES	<u>128,635</u>	<u>88,313</u>	<u>40,322</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,143,837</u>	<u>\$ 1,090,665</u>	<u>\$ 53,172</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 1,041,887	\$ 1,035,649	\$ (6,238)
Non-property taxes	1,000	2,881	1,881
Earnings on investments and deposits	15,631	14,328	(1,303)
Medicaid	325,000	358,966	33,966
Other local revenues	18,864	18,162	(702)
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,402,382</u>	<u>1,429,986</u>	<u>27,604</u>
REVENUE FROM STATE SOURCES:			
Special education- sec 51 a	871,432	871,432	-
School for deaf/blind	108	108	-
Renaissance zone	3,040	2,021	(1,019)
Other state sources	157,509	157,509	-
TOTAL REVENUE FROM STATE SOURCES	<u>1,032,089</u>	<u>1,031,070</u>	<u>(1,019)</u>
REVENUE FROM FEDERAL SOURCES:			
IDEA flowthrough	1,585,966	1,581,033	(4,933)
IDEA preschool incentive	53,535	53,535	-
State initiated grants	100,000	100,000	-
Transition services	-	-	-
Medicaid Transportation	14,000	21,332	7,332
Medicaid Outreach	55,554	75,441	19,887
Early on	92,859	86,971	(5,888)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>1,901,914</u>	<u>1,918,312</u>	<u>16,398</u>
TOTAL REVENUES	<u>4,336,385</u>	<u>4,379,368</u>	<u>42,983</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	2,000	2,000	-
Transfers from other governmental units	58,073	54,111	(3,962)
Insurance reimbursements	11,232	11,231	(1)
TOTAL OTHER FINANCING SOURCES	<u>71,305</u>	<u>67,342</u>	<u>(3,963)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,407,690</u>	<u>\$ 4,446,710</u>	<u>\$ 39,020</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Salaries- professional	\$ 520,478	\$ 521,080	
Salaries- non-professional	303,020	300,777	\$ 2,243
Insurances	335,571	332,755	2,816
Fica, retirement, and other benefits	201,419	202,900	(1,481)
Purchased services	2,600	1,298	1,302
Supplies and materials	60,917	57,962	2,955
Other	-	-	-
TOTAL INSTRUCTION	<u>1,424,005</u>	<u>1,416,772</u>	<u>7,233</u>
SUPPORTING SERVICES			
Student Services			
Salaries- professional	516,459	509,217	7,242
Insurances	115,336	117,616	(2,280)
Fica, retirement, and other benefits	124,985	126,501	(1,516)
Purchased services	10,375	5,397	4,978
Supplies and materials	4,583	4,021	562
Total Student Services	<u>771,738</u>	<u>762,752</u>	<u>8,986</u>
Instructional Support			
Salaries- professional	266,001	266,402	(401)
Salaries- non-professional	51,416	51,828	(412)
Insurances	66,519	66,653	(134)
Fica, retirement, and other benefits	77,049	80,659	(3,610)
Purchased services	194,973	190,168	4,805
Supplies and materials	20,041	18,691	1,350
Other	1,000	132	868
Total Instructional Support	<u>676,999</u>	<u>674,533</u>	<u>2,466</u>
General Administration			
Salaries- professional	21,750	21,750	-
Salaries- non-professional	7,227	7,227	-
Insurances	5,306	4,889	417
Fica, retirement, and other benefits	6,766	6,744	22
Supplies and materials	1,520	1,520	-
Purchased Services	9,980	8,894	3,086
Total General Administration	<u>52,549</u>	<u>49,024</u>	<u>3,525</u>
School Administration			
Salaries- professional	91,481	91,481	-
Salaries- non-professional	31,297	31,730	(433)
Insurances	26,936	26,936	-
Fica, retirement, and other benefits	29,887	30,011	(124)
Purchased services	1,502	1,788	(286)
Supplies and materials	2,200	1,450	750
Total School Administration	<u>183,303</u>	<u>183,396</u>	<u>(93)</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued)			
Business Administration			
Salaries- professional	\$ 14,432	\$ 14,431	\$ 1
Insurances	5,010	5,010	-
Fica, retirement, and other benefits	3,589	3,578	11
Other	<u>3,377</u>	<u>2,978</u>	<u>399</u>
Total Business Administration	26,408	25,997	411
Operation and Maintenance			
Salaries- non-professional	6,500	5,021	1,479
Insurances	-	-	-
Fica, retirement, and other benefits	1,600	1,233	367
Purchased services	26,251	24,139	2,112
Supplies and materials	20,250	13,706	6,544
Capital outlay	<u>10,348</u>	<u>10,616</u>	<u>(268)</u>
Total Operation and Maintenance	64,949	54,715	10,234
Transportation			
Salaries- non-professional	74,412	77,029	(2,617)
Insurances	35,638	36,817	(1,179)
Fica, retirement, and other benefits	15,513	20,165	(4,652)
Purchased services	175,062	168,373	6,689
Supplies and materials	9,000	9,299	(299)
Capital outlay	18,863	18,849	14
Other	<u>2,000</u>	<u>1,255</u>	<u>745</u>
Total Transportation	330,488	331,787	(1,299)
Other Support Services			
Salaries- professional	13,769	13,769	-
Salaries- non-professional	-	-	-
Insurances	3,405	3,519	(114)
Fica, retirement, and other benefits	3,375	3,379	(4)
Purchased services	-	-	-
Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Support Services	20,549	20,667	(118)
TOTAL SUPPORT SERVICES	2,126,983	2,102,871	24,112
COMMUNITY SERVICES			
Purchased services	7,250	2,258	4,992
Supplies and materials	<u>1,000</u>	<u>59</u>	<u>941</u>
TOTAL COMMUNITY SERVICES	8,250	2,317	5,933
TOTAL EXPENDITURES	3,559,238	3,521,960	37,278
OTHER FINANCING USES			
Transfers to other governmental units	735,481	741,721	(6,240)
Transfers to other funds	25,383	25,383	-
Loan Payments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING USES	760,864	767,104	(6,240)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,320,102</u>	<u>\$ 4,289,064</u>	<u>\$ 31,038</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 2,316,621	\$ 2,302,579	\$ (14,042)
Taxes other than property	1,000	6,411	5,411
Earnings on investments and deposits	24,770	24,726	(44)
Tuition	87,699	117,417	29,718
Program sales	172,612	204,511	31,899
Other local revenues	36,500	37,636	1,136
TOTAL REVENUE FROM LOCAL SOURCES	2,639,202	2,693,280	54,078
REVENUE FROM STATE SOURCES:			
State aid- added cost sec 61 a.1	221,322	224,628	3,306
State aid- voc ed millage equalization sec 62	70,730	72,077	1,347
State aid- voc ed administration sec 61a.2	12,000	12,000	-
Renaissance zone	6,758	4,493	(2,265)
Michigan Works	-	-	-
Other state sources	156,652	156,652	-
TOTAL REVENUE FROM STATE SOURCES	467,462	469,850	2,388
REVENUE FROM FEDERAL SOURCES:			
MI works staffing grant	212,345	215,175	2,830
Tech prep grant	25,405	25,405	-
Summer school grant	-	-	-
Secondary regional allocation	417,759	417,759	-
TOTAL REVENUE FROM FEDERAL SOURCES	655,509	658,339	2,830
TOTAL REVENUES	3,762,173	3,821,469	59,296
OTHER FINANCING SOURCES:			
Transfers from other funds	20,312	20,553	241
Transfers from other governmental units	144,315	130,919	(13,396)
Donated items	2,000	-	(2,000)
TOTAL OTHER FINANCING SOURCES	166,627	151,472	(15,155)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,928,800	\$ 3,972,941	\$ 44,141

**SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 832,839	\$ 844,873	\$ (12,034)
Salaries- non-professional	162,729	162,485	244
Insurances	290,767	290,063	704
Fica, retirement, and other benefits	243,597	246,507	(2,910)
Purchased services	49,165	39,959	9,206
Supplies and materials	327,116	338,597	(11,481)
Capital outlay	94,845	88,615	6,230
Other	11,723	10,304	1,419
TOTAL INSTRUCTION	2,012,781	2,021,403	(8,622)
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	67,836	69,028	(1,190)
Fica, retirement, and other benefits	33,770	33,965	(195)
Purchased services	7,529	6,985	544
Supplies and materials	2,025	429	1,596
Other	371	371	-
Total Student Services	111,533	110,778	755
Instructional Support			
Purchased services	20,000	21,220	(1,220)
Supplies and materials	5,405	6,634	(1,229)
Capital outlay	-	-	-
Other	110	110	-
Total Instructional Support	25,515	27,964	(2,449)
General Administration			
Salaries- professional	21,750	21,750	-
Salaries- non-professional	7,228	7,227	1
Insurances	5,310	5,306	4
Fica, retirement, and other benefits	6,767	6,745	22
Purchased services	2,000	2,000	-
Total General Administration	43,055	43,028	27
School Administration			
Salaries- professional	100,661	100,661	-
Salaries- non-professional	83,896	83,895	1
Insurances	53,182	53,290	(108)
Fica, retirement, and other benefits	51,402	51,855	(453)
Purchased services	47,420	49,180	(1,760)
Supplies and materials	12,804	10,959	1,845
Other	3,275	1,591	1,684
Total School Administration	352,640	351,431	1,209
Business Administration			
Salaries- professional	14,432	14,431	1
Insurances	5,010	5,010	-
Fica, retirement, and other benefits	3,591	3,579	12
Other	20,629	21,219	(590)
Total Business Administration	43,662	44,239	(577)

**SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 85,375	\$ 85,919	\$ (544)
Insurances	41,164	41,163	1
Fica, retirement, and other benefits	20,976	21,052	(76)
Purchased services	100,837	87,673	13,164
Supplies and materials	185,750	176,924	8,826
Capital Outlay	4,240	4,239	1
Total Operation and Maintenance	438,342	416,970	21,372
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	41,308	41,307	1
Insurances	10,150	10,150	-
Fica, retirement, and other benefits	10,121	10,135	(14)
Purchased services	8,051	8,204	(153)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Total Other Support Services	69,630	69,796	(166)
TOTAL SUPPORTING SERVICES	1,084,377	1,064,206	20,171
COMMUNITY SERVICES			
Salaries- professional	111,417	111,417	-
Insurances	52,623	51,082	1,541
Fica, retirement, and other benefits	29,001	28,999	2
TOTAL COMMUNITY SERVICES	193,041	191,498	1,543
TOTAL EXPENDITURES	3,290,199	3,277,107	13,092
OTHER FINANCING USES			
Transfers to other funds	66,090	66,090	-
Transfers to other governmental units	387,519	366,971	20,548
Payments on loans	4,300	4,300	-
TOTAL OTHER FINANCING USES	457,909	437,361	20,548
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$3,748,108	\$3,714,468	\$ 33,640

**SANIALC INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>1998 DURANT DEBT RETIREMENT</u>	<u>2001 DEBT RETIREMENT MAPLE VALLEY</u>	<u>2005 DEBT RETIREMENT</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 45,610	\$ 16	\$ 45,626
Investments				-
Accounts receivable		-		-
Interest receivable				-
Due from other governmental units		-		-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 45,610</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 45,626</u></u>
LIABILITIES				
Accounts Payable	\$ -	-	-	-
Due to other funds				-
FUND BALANCES				
Reserved for debt retirement	-	\$ 45,610	\$ 16	\$ 45,626
Reserved for capital projects				-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u><u>-</u></u>	<u><u>45,610</u></u>	<u><u>16</u></u>	<u><u>45,626</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 45,610</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ 45,626</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>1998 DURANT DEBT RETIREMENT</u>	<u>2001 DEBT RETIREMENT MAPLE VALLEY</u>	<u>2005 DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUES				
Local Sources				
Property taxes	\$ -	\$ 184,422	-	\$ 184,422
Taxes other than property	-	449	-	449
Earnings on investments and deposits	-	3,791	16	3,807
Total Local Sources	-	188,662	16	188,678
State Sources	-	360	-	360
TOTAL REVENUES	-	189,022	16	189,038
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	\$ 39,670	39,670
TOTAL REVENUES AND OTHER FINANCING SOURCES	-	189,022	39,686	228,708
EXPENDITURES				
Debt Retirement				
Redemption of bond principal				-
Interest on bonded debt	-	31,000	14,445	45,445
Dues and fees	-	138	225	363
Taxes abated	-	308	-	308
Principal payment	-	180,000	25,000	205,000
TOTAL EXPENDITURES	-	211,446	39,670	251,116
OTHER FINANCING USES				
Transfers to other funds	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	-	211,446	39,670	251,116
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	(22,424)	16	(22,408)
FUND BALANCE - JULY 1	-	68,034	-	68,034
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 45,610</u>	<u>\$ 16</u>	<u>\$ 45,626</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	DUE TO (FROM) STUDENT ACTIVITIES & OTHER ORGANIZATIONS JUNE 30, 2007	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT ACTIVITIES & OTHER ORGANIZATIONS JUNE 30, 2008
Vocational Education				
ABC fieldtrip fund	\$ 1,784	\$ 2,062	\$ 1,610	\$ 2,236
Ast car	166			166
Auto service tools	252		252	-
Baja	2,980	8,063	5,893	5,150
Bank int/serv charges	3,261	293	109	3,445
Coke/ASV	28,236	37,125	40,342	25,019
DECA	3,259	8,602	9,366	2,495
Earth center	449		28	421
Electric cars	-	273	248	25
FFA Alumni	-	205		205
FFA	12,604	22,566	25,404	9,766
FFA scholarships	1,395	1,800	500	2,695
Flower fund	330	615	414	531
HOSA	2,025	3,123	2,265	2,883
Miscellaneous	246	13,946	13,251	941
NTHS	27	3,608	3,198	437
Peak	2,783	3,983	5,904	862
Safety glasses	221		46	175
Skills USA	(7,770)	8,348	15	563
Tips - Cam	-	192	192	-
TOTAL AGENCY FUND	\$ 52,248	\$ 114,804	\$ 109,037	\$ 58,015

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT
FOR THE YEAR ENDED JUNE 30, 2008**

1998 DURANT RESOLUTION PACKAGE BONDS

\$347,037 Durant Bond issued November 24, 1998:

<u>PAYMENT DATE</u> <u>MAY 15</u>	<u>PRINCIPAL</u> <u>REQUIREMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>REQUIREMENT</u>	<u>TOTAL</u>
2009	\$ 118,020	4.76%	\$ 45,720	\$ 163,740
2010	20,232	4.76%	4,137	24,369
2011	21,196	4.76%	3,174	24,370
2012	22,204	4.76%	2,165	24,369
2013	23,261	4.76%	1,108	24,369
TOTAL	<u><u>\$ 204,913</u></u>		<u><u>\$ 56,304</u></u>	<u><u>\$ 261,217</u></u>

2001 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

\$1,655,000 Maple Valley Bond issued February 20, 2001

<u>DUE DATE</u>	<u>PRINCIPAL</u> <u>REQUIREMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>PAYABLE</u>	<u>TOTAL</u>
11/01/08	-		\$ 11,900	\$ 11,900
05/01/09	\$ 190,000	4.00%	11,900	201,900
11/01/09	-		8,100	8,100
05/01/10	200,000	4.00%	8,100	208,100
11/01/10	-		4,100	4,100
05/01/11	205,000	4.00%	4,100	209,100
TOTAL	<u><u>\$ 595,000</u></u>		<u><u>\$ 48,200</u></u>	<u><u>\$ 643,200</u></u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

2005 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

\$425,000 Bond issued on March 8, 2005

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>NOVEMBER INTEREST</u>	<u>MAY INTEREST</u>	<u>TOTAL</u>
2008-2009	\$ 25,000	3.15%	\$ 6,841	\$ 6,841	\$ 38,682
2009-2010	25,000	3.35%	6,447	6,448	37,895
2010-2011	30,000	3.50%	6,029	6,029	42,058
2011-2012	30,000	3.65%	5,504	5,504	41,008
2012-2013	30,000	3.75%	4,956	4,956	39,912
2013-2014	30,000	3.85%	4,394	4,394	38,788
2014-2015	35,000	3.95%	3,816	3,816	42,632
2015-2016	35,000	4.05%	3,125	3,125	41,250
2016-2017	35,000	4.15%	2,416	2,416	39,832
2017-2018	40,000	4.20%	1,690	1,690	43,380
2018-2019	40,000	4.25%	850	850	41,700
TOTAL	<u><u>\$ 355,000</u></u>		<u><u>\$ 46,068</u></u>	<u><u>\$ 46,069</u></u>	<u><u>\$ 447,137</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

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Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel
Robert L. Tuckey, CPA

September 12, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Sanilac Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated September 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sanilac Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanilac Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described as 2008-1, 2008-2 and 2008-3 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described above as 2008-1, we considered to be a material weakness.

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To the Board of Education
September 12, 2008

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Sanilac Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Sanilac Intermediate School District in a separate letter dated September 12, 2008.

Sanilac Intermediate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sanilac Intermediate School District's response and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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September 12, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

COMPLIANCE

We have audited the compliance of Sanilac Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Sanilac Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sanilac Intermediate School District's management. Our responsibility is to express an opinion on Sanilac Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanilac Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sanilac Intermediate School District's compliance with those requirements.

In our opinion, Sanilac Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of Sanilac Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness

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To the Board of Education
September 12, 2008

of Sanilac Intermediate School District's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sanilac Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Sanilac Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCURUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCURUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION Passed through Michigan Dept of Education. Adult Education - State Grant Program Basic Grant Programs ABE - Instruction	84.002	081130811117	\$ 38,030 38,000	- -	- -	\$ 21,700 21,700	\$ 28,000 28,000	4,300 4,300
Special Education - Grants to States IDEA Flowthrough IDEA Flowthrough State Initiated - EOSE State Initiated Transition Services Transition Services Self Review	84.027	080450-0703 070450 070480-EOSE 080480-EOSE 070490-TS 080490-TS 080440	1,519,872 1,505,923 50,000 50,000 60,000 50,000 4,000 3,238,885	- \$ 296,878 1,500 - 3,000 - - 301,378	- \$ 1,310,878 50,000 - 60,000 - - 1,420,878	1,054,000 491,923 1,500 50,000 3,000 50,000 3,871 1,654,294	1,385,888 185,045 - 50,000 - 50,000 3,871 1,684,904	331,988 - - - - - - 331,988
Vocational Education - Basic Grants to States Secondary Regional Allocation (05-06)	84.043	083520-801211	417,759 417,759	- -	- -	417,759 417,759	417,759 417,759	- -
Special Education - Preschool Grants Preschool Incentive (05-06)	84.173	080460 070460	53,535 53,568 107,101	- 6,566 6,566	- 53,568 53,568	53,535 8,588 60,101	53,535 - 53,535	- - -
Special Education - Grants for Infants & Families with Disabilities Formula Grant Formula Grant	84.181	081340190 071340190	83,914 87,582 171,496	- 6,611 6,611	- 71,111 71,111	70,500 23,082 93,582	70,500 16,471 86,971	- - -

(Continued)

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION (CONTINUED): Passed through the Huron Intermediate School District: Tech Prep	84.243	7014-11	\$ 25,405	-	-	\$ 9,123	\$ 25,405	16,282
TOTAL U.S. DEPARTMENT OF EDUCATION			3,987,866	314,555	1,545,555	2,256,559	2,284,574	352,570
U.S. EMPLOYMENT & TRAINING ADMINISTRATION Passed through Thumb Area - Michigan Works: Mt Works Staffing Grant	17.207 17.258 17.259 17.260 17.258 / 17.259 / 17.260	N/A N/A N/A N/A N/A	77,078	-	-	77,078	77,078	-
Employment Service/Wagner Peyser								\$ 20,356
WIA Adult								-
WIA Youth Activities								-
WIA Dislocated Workers								-
WIA Youth - Staffing Grant								-
TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION			77,078	14,999	-	172,498	177,855	20,356
U.S. DEPARTMENT OF AGRICULTURE Passed through Thumb Area - Michigan Works State Administrative Matching Grants for Food Stamp Program	10.561	N/A	442	-	-	442	442	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Thumb Area - Michigan Works Temporary Assistance for Needy Families	93.558 93.778	N/A N/A	36,878	-	-	36,878	36,878	-
Passed through Michigan Department of Community Health Medicaid Administrative Outreach School Based Services - Transportation								-
								2,831
								2,831
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			129,780	-	-	126,949	128,780	2,881
TOTAL FEDERAL AWARDS			\$ 4,204,958	\$ 329,554	\$ 1,545,555	\$ 2,556,448	\$ 2,602,681	\$ 375,757

* = cluster

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
FOR THE YEAR ENDED JUNE 30, 2008

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>IDEA FLOWTHROUGH (07/08)</u>	84.027	080450/0708	
Carsonville-Port Sanilac			\$ 33,200
Deckerville			35,600
Sandusky			<u>62,000</u>
			<u>\$ 130,800</u>
 <u>IDEA FLOWTHROUGH (06/07)</u>	 84.027	 070450/0607	
Brown City			\$ 52,800
Croswell Lexington			109,200
Marlette			73,600
Peck			<u>27,200</u>
			<u>\$ 262,800</u>
 <u>PERKINS</u>	 84.048	 083520/801211	
Huron Intermediate			\$ 62,662
Lapeer Intermediate			146,211
Tuscola Intermediate			<u>121,146</u>
			<u>\$ 330,019</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sanilac Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and reconciles with the amounts presented in the preparation of the financial statements.
2. The following programs were audited as major programs and represents 83% of expenditures:
 - Vocational Education Basic Grant – Perkins, CFDA 84.048
 - IDEA 94-142, CFDA 84.027 and Preschool Incentive, CFDA 84.173 cluster
3. The threshold for distinguishing Type A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

Federal revenue per financial statements	<u>\$2,602,651</u>
Federal expenditures per Schedule of Federal Awards	<u>\$2,602,651</u>

**SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.027 & 84.173 Cluster
84.048

Name of Federal Program or Cluster
IDEA 94-142 & Preschool
Vocational Education

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings

Finding 2008-1 Material Weakness

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Sanilac Intermediate School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II (Cont.) – Financial Statement Findings

Finding 2008-2 Significant Deficiency

Criteria:

Material adjustments had to be made during the audit.

Condition:

The client was aware that certain accounts did not reconcile, however, was uncertain as to how to correct the problem.

Context:

Failure to make material adjustments increases the risk that the financial statements will be materially misstated

Cause:

Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

Effect:

Inaccurate financial information may be used for management decisions and reporting.

Recommendation:

The District should review year end transactions and record journal entries for any transaction not recorded.

Client Response:

We will review and make any necessary journal entries to our financial statements as the transaction occurs.

**SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section II (Cont.) – Financial Statement Findings

Finding 2008-3 Significant Deficiency

Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:

Internal controls are weakened due to the lack of segregation of duties.

Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding 2007-1 Material weakness

Condition:

Adjustments were not made to accurately reflect the transactions taking place at year end. During the audit, material adjustments had to be made.

Recommendation:

The District should review year end transactions and record journal entries for any transaction not recorded.

Current Status:

The District has improved the review process of year end transactions. There were fewer journal entries made during the current year. The client was aware that some accounts did not reconcile, but was uncertain as to how to correct the problem.

Finding 2007-2 Material Weakness

Condition:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in An Audit* issued May 2006, requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff of the District does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standard #112.

Recommendation:

The District should obtain the expertise to be able to prepare the year end financial statements and related footnotes in accordance with accounting principles generally accepted in the United States of America.

Current Status:

The District maintains that it is not cost efficient to develop this expertise. They plan to continue to use external auditors for this technical assistance.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Timothy Franzel

Robert L. Tuckey, CPA

September 12, 2008

To the Members of the Board
Sanilac Intermediate School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sanilac Intermediate School District for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Sanilac Intermediate School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Sanilac Intermediate School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Sanilac Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Sanilac Intermediate School District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 11, 2008.

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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sanilac Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$42,264. We evaluated the key factors and assumptions used to develop estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Board
September 12, 2008
Page two

This information is intended solely for the use of the Members of the Board and management of the Sanilac Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

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Certified Public Accountants



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Timothy Franzel

Robert L. Tuckey, CPA

September 12, 2008

Members of the Board Sanilac Intermediate School District

In planning and performing our audit of the financial statements of the Sanilac Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 12, 2008 on the financial statements of Sanilac Intermediate School District. Our comments are summarized as follows:

Current Year Comments

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

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Journal entries

At the present time, the business manager prepares the majority of the journal entries and then posts them or has another staff person do the posting. Typically, no one reviews or approves these entries prior to the time they are posted. To improve your internal control, we recommend that the District designate someone to review and approve all journal entries.

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Sanilac Intermediate School District and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

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Certified Public Accountants